Dear Vicki and colleagues,

Thank you for our recent meeting and your ongoing engagement with Hydrogen UK (HUK) and the Association for Renewable Energy & Clean Technology (REA) on the matter of hydrogen blending. We appreciate the collaboration of the BEIS Hydrogen Business Models and BEIS Hydrogen Economy teams so far as we progress this important hydrogen policy decision.

HUK and REA still believe that the blending of hydrogen, of up to 20 vol%, within the existing natural gas network, has a multitude of benefits for a variety of stakeholders within the energy landscape. Blending should not be considered as an offtaker, since the gas grid does not consume hydrogen. The direct effects of hydrogen displacing natural gas in the grid are felt at the point of use, which includes all current users of natural gas, including hard to abate industrial processes, and that these benefits vary depending on the injection location relative to the offtaker. Other benefits include lower cost of produced hydrogen, stimulation of demand, investment promotion, achieving decarbonisation budgets, engaging consumers with the decarbonisation of heat, and reduced curtailment of renewable energy sources. To that end, it is vital that all benefits, both direct and indirect, are captured in the Value for Money (VfM) assessment currently being undertaken by BEIS.

It is also HUK and REA's view that blending should not be penalised by the notion of being 'transitional'. Much of the investment required to allow blending to take place will deliver enduring benefits to the hydrogen production supply chain. It is therefore important that the VfM considers this when calculating the true value of blending.

We also advocate for the VfM case for blending in the transmission network being run concurrently with the distribution network. Separate safety cases will ensure that both options are reviewed thoroughly, and that no hydrogen will be allowed into either system without formal approval from the HSE. Using the best available information for costs, with uncertainty ranges as appropriate, will allow a value case to be ready in step with the overall program without becoming the bottleneck. Furthermore, increased visibility of the decision timelines for both transmission and distribution is essential to enable efficient planning across the value chain.

Flexibility is vital to allow for rapid deployment and learning. Waiting for a 'perfect' or 'one size fits all' solution risks delays to investment. Such risks have been highlighted by members where commitments to capital investment may be directed overseas on the back of announcements such as the Inflation Reduction Act in the USA and the €3bn 'European Hydrogen Bank', where investor confidence is catching up with the UK's early lead.

HUK and REA are acutely aware that there are a number of challenges to the deployment of blending that must be considered during the decision-making process. During our last meeting on the 7th of September, BEIS presented its known gaps in evidence which included questions about where and how injections should occur, changes to Market and Trading arrangements, costs of technical models and market arrangements, implementation, billing methodologies, how de-blending infrastructure is installed and how it should be paid for.

To address these 'known unknowns', HUK and REA are working on a larger paper to inform the VfM process with supporting evidence included. The paper will include a quantitative assessment of the value of blending and present options for addressing the challenges listed by BEIS. We aim to deliver said paper to the BEIS Hydrogen Business Models and BEIS Hydrogen Economy teams by mid-October for review.

Following the submission of this paper, we would propose a longer bilateral workshop in late October or early November to discuss our evidence and establish a path forward.

While we progress this policy paper and collate evidence, we will prepare a submission for the Transport and Storage Business Model consultation on behalf of our associations as part of the standard consultation process.

HUK and REA look forward to continuing to work closely with BEIS throughout the coming weeks and months to find a productive and positive solution that will benefit all.

Best,

Hydrogen UK and the Association for Renewable Energy & Clean Technology